

## Fact Sheet State Disability Insurance (SDI)

This fact sheet provides additional information for the **State Disability Insurance (SDI) program** which was negotiated for employees in \*Bargaining Units 1, 3, 4, 11, 14, 15, 17, 20, and 21. All represented employees in these bargaining units will be converted to the SDI program once it's implemented.

### 1. Is SDI taxable? Disability Insurance (DI) vs. Paid Family Leave (PFL)?

Disability Insurance (DI) benefits are not taxable *except* when considered to be a substitute for unemployment compensation when paid to an individual who is ineligible for unemployment insurance (UI) benefits solely because of the disability. Only in this instance, where DI benefits are received in lieu of UI benefits, will the EDD provide the claimant with a 1099G form showing amounts paid which are reportable (no more than the original UI maximum) and forward a copy of the 1099G to the Internal Revenue Service (IRS).

Paid Family Leave (PFL) benefits are taxable for federal purposes but not state tax purposes. The EDD will provide all claimants with a 1099G form and forward a copy of the 1099G to the federal IRS. The PFL benefits are not taxable/reportable to the California State Franchise Tax Board.

### 2. Are SDI deductions pre-taxed (deducted from the paycheck prior to paying federal, state and social security taxes)?

No, SDI deductions are not pre-taxed.

### 3. Must a State employee have State Disability Insurance (SDI) payroll deductions deducted from their monthly salary for six months prior to becoming eligible for benefits beginning April 1, 2006?

It is not necessarily the **number** of months that SDI deductions are paid by the employee that determines if they are eligible to receive SDI benefits, but rather when and the amount of earnings **during the claim base period**, that determine the employee's eligibility for benefits.

Example A: A State employee files an SDI claim on April 1, 2006. This employee has had SDI deductions taken from their monthly salary for six months (October 2005 - March 2006). The base period for this claim would be January 2005 through December 2005. This employee earns \$3,333.00 per month. The employee would have \$9,999 (\$3333 x 3 months) total earnings for the October, November, and December 2005 quarter. Based on these wages, the employee would receive a weekly benefit of \$424.00. The maximum amount payable on the claim would be \$9,999.

Example B: A State employees files an NDI claim on February 1, 2006. The employee is on NDI through March 31, 2006 and continues to be disabled after April 1<sup>st</sup>. The employee files a claim for SDI benefits on April 1, 2006. This employee has had SDI deductions taken from their monthly salary for *four months* (October 2005 – January 2006). The base period for a SDI claim filed April 1 would be January 2005 through December 2005. Therefore, the employee would have three months of wages (October, November, and December) in the base period and thus would be eligible for an SDI benefit. Using the salary in example A, the employee would receive a weekly benefit of \$424.00 and the maximum payable on the claim would be \$9,999.

**4. Assuming that employee wages do not fluctuate and that the withholding rate is 1.08% how much would be deducted from an employee's wages and what would be the amount of the disability benefit?**

The examples below illustrate the weekly benefit amount (WBA) and the State Disability Insurance (SDI) withholding for employee wages at the \$30,000, \$40,000 and \$60,000 per year income.

**Example 1**

Employee wages are \$60,000 per year (\$5,000 per month). SDI withholding is \$54.00 per month or a total of \$648 for 12 mos. The WBA for a SDI claim is based on high quarter earnings. Based on four quarter earnings of \$15,000.00 each, the WBA would be \$635. The maximum payable in this example claim would be \$33,020. If only two full quarters of wages were used, the WBA would be the same (all quarters are the same) but the maximum payable on the claim would be \$30,000. If only one quarter of wages, the WBA would be the same \$635 and the maximum payable would be \$15,000.

**Example 2**

Employee wages are \$40,000 per year (\$3,333.33 per month). SDI withholding is \$36.00 per month or a total of \$432 for 12 mos. The weekly benefit amount for a SDI claim is based on high quarter earnings. Based on four quarter earnings of \$9,999.99 each, the WBA would be \$424. The maximum payable in this example claim would be \$22,048. If only two full quarters of wages were used, the WBA would be the same but the maximum payable on the claim would be \$19,999.98. If only one quarter of wages, the WBA would be the same \$424 and the maximum payable would be \$9,999.99.

**Example 3**

Employee wages are \$30,000 per year (\$2500 per month). SDI withholding is \$27.00 per month or a total of \$324 for 12 mos. The weekly benefit amount for a SDI claim is based on high quarter earnings. Based on four quarter earnings of \$7,500.00 each, the WBA would be \$318. The maximum payable in this example claim would be \$16,536. If only two full quarters of wages were used, the WBA would be the same but the maximum payable on the claim would be \$15,000. If only one quarter of wages, the WBA would be the same \$318 and the maximum payable would be \$ 7,500.00.

For additional information concerning the WBA and base periods see:

<http://www.edd.ca.gov/direp/de2588.pdf> and/or <http://www.edd.ca.gov/direp/dicfp.htm> and click on Your Benefit Amounts.

**5. Can employees reduce or change their level of health benefits coverage when converting to SDI on October 1, 2005 or when a claim is filed on or after April 1, 2006?**

Yes, however there are restrictions on when dependents can be re-enrolled. Employees may also change their health/dental benefit carrier and party rate code during the annual enrollment period established by CalPERS and Department of Personnel Administration (DPA). The open enrollment period for this year is September 15, 2005 to October 15, 2005. Employees on an SDI claim should contact CalPERS or their Personnel Office for applicable permitting event guidelines.

**6. If the employee's spouse has health benefit coverage and the employee is receiving the cash option under FlexElect, will the employee be allowed to reenroll in the cash option after returning from leave?**

Yes, the employee's FlexElect Cash Option will resume automatically once the employee returns from leave.

**7. Can an employee work and receive SDI?**

Yes, an employee working reduced hours or at modified duty due to a disability and who suffers a wage loss *may* be eligible for benefits.

**8. How will Annual Leave credits be accrued for employees on SDI?**

An employee who is receiving SDI benefits will not accrue Annual Leave credits unless he or she works.

**9. Is the S50 transaction used for employees who are receiving intermittent Paid Family Leave?**

Yes.

**10. If an employee is out for two weeks on SDI, then later goes out on a leave of absence for six months, is another S50 transaction required?**

Yes. The leave of absence should be documented with the appropriate leave code.

**11. Will an SDI deduction be taken from a lump-sum payment that is being transferred to an employee's 401K plan?**

No. Lump sum payments for pay (e.g. vacation, annual leave, CTO) which was earned but not paid for services performed prior to termination of employment, shall not be construed to be wages or compensation for personal services. Therefore, there should be no SDI deduction withheld from lump sum payments. This includes lump sum payments for vacation cash out or lump sum payments for 401K plans.

**12. Will a SDI deduction be taken from annual Recruitment and Retention (R & R) pay differentials?**

Yes, SDI deductions are applied against annual R & R payments based on the issue date and payment type.

**13. How will annual R & R differentials be treated for employees who receive SDI benefits during the qualifying period?**

Qualifying months prior to and after receiving SDI benefits will count towards the employee's annual R & R differential.

Additionally, if an employee works while receiving SDI benefits, and the employee has a qualifying pay period; the time will also count towards the employee's annual R & R differential.

**14. How will R & R credit be accrued for employees on SDI?**

An employee does not accrue R & R credit while on SDI. However, if an employee works while receiving SDI and has a qualifying pay period, the employee will receive R & R credit.

**15. How does a department ensure that a budgeted position will not be lost if the employee is out on extended SDI (more than six months)?**

GC 12439, Sec. C includes guidelines for departments to use to self certify that a position was vacant for more than six consecutive months due to a disability leave of absence.

**16. If an employee is absent using sick leave credits, and he or she also receives SDI benefits (after the seven day waiting period) who is responsible for the overpayment?**

The employer will be responsible for setting up an accounts receivable for the sick leave usage. Refer to the appropriate contract language provisions that cover overpayments.

**17. What happens to a represented employee who has been paying into SDI for quite some time and then they promote/move to a non-SEIU bargaining unit? What happens to their SDI deductions? Are the funds returned to the employee? Is the employee eligible for both NDI and SDI?**

The SDI deductions stop. The funds are not returned to the employee. The employee could potentially be eligible for both NDI and SDI as long as the employee has wages in their base period.

**18. Employees may buy back NDI time for retirement purposes. Will employees be able to buy back SDI time?**

SDI does not qualify for purchase as retirement service credit.

**19. Are employees in the affected bargaining units who live and work in other states, but are employed by the State of California, covered by State Disability Insurance?**

Yes. These employees can file claims and receive benefits, if otherwise eligible, despite residing out of state.

**Please note that these questions and answers are intended to be general in nature, and may not address each individual situation. Specific situations will need to be evaluated on a case-by-case basis and in accordance with the applicable MOU.**

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♦ BARGAINING UNITS:

BARGAINING UNIT 1  
PROFESSIONAL, ADMINISTRATIVE, FINANCIAL, AND STAFF SERVICES  
Union: <http://www.seiu1000.org/>

BARGAINING UNIT 3  
PROFESSIONAL EDUCATORS AND LIBRARIANS  
Union: [Service Employees International Union](#) (SEIU), Local 1000

BARGAINING UNIT 4  
OFFICE AND ALLIED  
Union: [Service Employees International Union](#) (SEIU), Local 1000

BARGAINING UNIT 11  
ENGINEERING AND SCIENTIFIC TECHNICIANS  
Union: [Service Employees International Union](#) (SEIU), Local 1000

BARGAINING UNIT 14  
PRINTING AND ALLIED TRADES  
Union: [Service Employees International Union](#) (SEIU), Local 1000

BARGAINING UNIT 15  
ALLIED SERVICES  
Union: [Service Employees International Union](#) (SEIU), Local 1000

BARGAINING UNIT 17  
REGISTERED NURSE  
Union: [Service Employees International Union](#) (SEIU), Local 1000

BARGAINING UNIT 20  
MEDICAL AND SOCIAL SERVICES  
Union: [Service Employees International Union](#) (SEIU), Local 1000

BARGAINING UNIT 21  
EDUCATIONAL CONSULTANT AND LIBRARY  
Union: [Service Employees International Union](#) (SEIU), Local 1000